

**REPORT OF THE BOARD OF DIRECTORS**  
**TO THE MEMBERS OF MANYA KROBO RURAL BANK LIMITED**

The Board of Directors has pleasure in submitting its annual report of the Bank for the year ended 31st December, 2019 to the members as follows:

**Statement of Directors' Responsibilities in Relation to the Financial Statements**

The Companies Act, 2019 (Act 992) requires the Directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Bank and of its profit or loss for the year.

The Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930) requires every bank to prepare annually as at 31st December of each year financial statements and returns in accordance with that Act.

In preparing these financial statements, the Directors are required to:

Select accounting policies which comply with the Companies Act, 2019 (Act 992) and the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930), and in accordance with International Financial Reporting Standards and to apply them consistently.

Make judgements and estimates that are reasonable and prudent.

Ensure applicable accounting standards have been followed and any material departures disclosed.

Ensure the Financial Statements are prepared on a going concern basis unless it is inappropriate to presume that the Bank will continue in business.

The Directors are responsible for the preparation of the financial statements in accordance with International Financial Reporting Standards and ensuring that the Bank keeps accounting records which disclose with reasonable accuracy the financial position of the Bank and which enable them to ensure that the financial statements comply with the Companies Act, 2019 (Act 992), the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930), and the Anti-Money Laundering Act, 2008 (Act 749) as amended by the Anti-Money Laundering (Amendment) Act, 2014 (Act 874).

They are also responsible for safeguarding the assets of the Bank and hence taking steps for the prevention and detection of fraud and other irregularities, as well as designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements.

The above statement, which should be read in conjunction with the report of the auditors, is made with a view to distinguishing for shareholders the respective responsibilities of the Directors and the auditors in relation to these financial statements.

### **Nature of Business**

The principal activities carried out by the Bank during the year under review were within the limits permitted by its regulations. There were no changes in the authorised businesses of the Bank during the year.

### **Results of Operations**

The results of operations for the year ended 31st December, 2019 are set out in the Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position, Statement of Cash flows, Statement of Changes in Equity and Notes to the financial statements from page **14 to 55**.

A summary of the results is as follows:

	<b>2019</b> <b>GH¢</b>	<b>2018</b> <b>GH¢</b>
Profit before tax	343,075	2,393,504
Taxation	<u>(26,514)</u>	<u>(725,431)</u>
<b>Profit after tax</b>	<b><u>316,560</u></b>	<b><u>1,668,073</u></b>
<b>Total assets</b>	<b><u>83,367,147</u></b>	<b><u>77,363,492</u></b>

The Board of Directors considers the state of the Bank's affairs to be satisfactory.

They have a reasonable expectation that the Bank will continue in operational existence for the foreseeable future and have therefore used the going concern basis in preparing these financial statements.



**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF MANYA  
KROBO RURAL BANK LIMITED**

**Report on the Audit of the Financial Statements**

We have audited the accompanying financial statements of Manya Krobo Rural Bank Limited, which comprise the Statement of Financial Position as at 31<sup>st</sup> December 2019, the Statement of Profit or Loss and Other Comprehensive Income, the Statement of Cash Flows, and the Statement of Changes in Equity for the year ended on that date and notes to the financial statements including a summary of significant accounting policies and other explanatory notes.

**Opinion**

In our opinion, the accompanying Financial Statements show a true and fair view of the Financial Position of the Bank as at 31<sup>st</sup> December 2019, and of its Financial Performance and Cash Flows for the year then ended in accordance with the Companies Act, 2019 (Act 992), the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930), the Anti-Money Laundering Act, 2008 (Act 749) as amended by the Anti-money Laundering Act, 2014 (Act 874), and International Financial Reporting Standards

**Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the *International Code of Ethics for Professional Accountants (including International Independence Standards)* (the Code) issued by the International Ethics Standards Board for Accountants (IESBA) and we have fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### **a) Accounting for loans and advances at amortised cost**

The loans and advances of the bank for 2019 were found not to have been measured at amortised cost as required by IFRS 9-Financial Instruments: Recognition and Measurement. The alternative method for loan measurement used by the Bank was not in compliance with IFRS 9.

#### **How our audit addressed the key audit matter**

Schedules of loans and loan-related fees for the accompanying documentation were obtained for examination.

Our examination of the records resulted in recommendations being made to management to defer all loan-related fees and amortise same through the statement of profit or loss over the term of the loans.

The unamortised portion was offset against the carrying value of the loans at the end of 2019.

#### **b) Provision for Loan Impairment Loss**

Manya Krobo Rural Bank Limited assesses its loans and advances for impairment using the Expected Credit Loss Method in compliance with IFRS 9-Financial Instruments: Recognition and Measurement. In using this method, the bank applies significant judgements and assumptions in determining the amount of impairment loss that is expected to occur. The key assumptions which were used in the calculation of the expected credit losses for 2019 included the use of Probabilities of Default, Exposures at Default and Loss Given Defaults.

Based on our risk assessment and industry knowledge, we examined the key judgements/ assumptions made by management including, inter alia:

- Forward-looking economic base case scenarios
- Significant increase or decrease in credit risks
- Probabilities of Default, Exposures at Default and Loss Given Defaults

We also reviewed, on a sample basis, material portfolio of financial assets and assessed the reasonableness of the classification and assumptions which were used in determining the Expected Credit Loss (ECL) for the year.

Our review of the assumptions resulted in additional IFRS impairment provision and recommended same for adjustment by the Bank.

### **Directors' Responsibility for the Financial Statements**

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, the Companies Act, 2019 (Act 992) and the Banks and Specialised Deposit – taking Institutions Act, 2016 (Act 930) and for such internal controls as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Bank or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for overseeing the Bank's financial reporting process.

### **Auditors' Responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive

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to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

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The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### **Report on Other Legal and Regulatory Requirements**

The Companies Act, 2019 (Act 992) requires that in carrying out our audit we report on the following:

We confirm that:

- i. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- ii. In our opinion proper books of account have been kept by the Bank, so far as appears from our examination of those books, and proper returns adequate for the purposes of the audit have been received from branches not visited by us.

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- iii. The statement of financial position, the statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in equity of the Bank are in agreement with the books of account.
- iv. We are independent of the Bank pursuant to Section 143 of the Companies Act, 2019 (Act 992).

The Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930) requires that we state certain matters in our report. We hereby certify that:

- i. The financial statements give a true and fair view of the state of affairs of the Bank and its results for the year ended on that date.
- ii. We obtained all the information and explanation required for the efficient performance of our audit.
- iii. The transactions of the Bank were within its powers; and
- iv. The Bank has generally complied with the provisions of the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930); the Anti-Money Laundering Act, 2008 (Act 749) as amended by the Anti-Money Laundering (Amendment) Act, 2014 (Act 874) and the Anti-Terrorism Act, 2008 (Act 762).

The engagement partner on the audit resulting in this independent auditor's report is **Dr. Adom Adu-Amoah** (Practising Certificate Number: **ICAG/P/1294**)

**Particulars of the Auditor**

**Signature:** .....

**Name:** **Morrison & Associates**  
**Chartered Accountants**

**Licence Number:** ICAG/F/2020/097

**Address:** 2nd Floor Trinity House, Ring Road East  
P.O. Box CT 2890 Cantonments - Accra, Ghana

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**Accra, Ghana**



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